



Fact Sheet on Local Government Corporation Agenda Item on December 18, 2012

Agenda Items 10B

Discussion and action on a Resolution authorizing and approving the creation of the City of El Paso Downtown Development Corporation pursuant to Subchapter D of Chapter 431 of the Texas Transportation Code to aid, assist and act for and on behalf of the City in the financing and development of the Ballpark Venue Project; approving the Articles of Incorporation; appointing the Initial Directors and Chairperson; and containing findings and other provisions relating to other matters incidental and related thereto; and providing for an effective date.

Key Facts about the LGC

What is a Local Government Corporation, otherwise known as an “LGC”?

Subchapter D of Chapter 431, Texas Transportation Code, as amended (“Chapter 431”), authorizes the creation and organization of a public, nonprofit local government corporation to act as a duly constituted authority of a city to aid and assist the city in the performance of one or more of the city’s governmental functions. Chapter 431 requires a local government corporation to be created pursuant to the provisions of Chapter 394, Texas Local Government Code, as amended (“Chapter 394”), and requires a local government corporation’s articles of incorporation be in the form and be executed, approved, and filed in the manner prescribed by Chapter 394. An LGC may have and exercise all of the powers prescribed by Chapter 431, Chapter 394, and the Texas Non-Profit Corporation Act (Chapter 431, Chapter 394 and the Texas Nonprofit Corporation Law are referred to collectively as the “Acts”).

What is the first step to forming an LGC?

In accordance with Chapter 394, a written application for the incorporation of a local government corporation has to be presented and filed with the City Clerk of the City. This application has been filed with the City Clerk.

What will be the new name of the LGC?

The Corporation will be called the “City of the Paso Downtown Development Corporation.”

What is the purpose of the Corporation?

The Corporation will be organized for the purpose of aiding, assisting, and acting for and on behalf of the City in the performance of the City’s governmental functions, including, but not limited to: (A) providing a means to develop, implement and finance, or otherwise pay or reimburse, the costs of a multipurpose coliseum, stadium or other type of arena or facility that is planned for use for one or more professional or amateur sports events, including minor league baseball games and related infrastructure as defined in Chapter 334, Local Government Code, as

amended (collectively referred to as the “Project”) and all of the costs of such Project (the “Project Costs”); (B) issuing bonds and/or notes for the financing of such Project Costs; and (C) leasing, selling, granting, transferring, or otherwise conveying all or a portion of the ownership interest in the Project as permitted by applicable law. In so acting on behalf of the City, the Corporation will assist the City in the performance of the City’s governmental functions as contemplated by the Acts.

In short, the Corporation will be formed to assist the City with the financing aspect of the Ballpark project.

Why does the City want to form an LGC?

The City wants to form an LGC to utilize a financing structure that will provide for better interest rates and credit terms on the debt issued to fund the Ballpark construction. City subject-to-appropriation debt will have a better interest rate than HOT/Team revenue-only debt and under Texas Law, in order to issue subject-to-appropriation obligations, the City would need to form a corporation. [This was affirmed by the Attorney General in November 2012.]. The City also would not have to fund a debt service reserve fund under this structure and would not have to show coverage multiples. By utilizing this structure, the City would pay significantly less to finance the voter approved Ballpark. . Other cities, such as Dallas and San Antonio, have utilized similar structures in order to lower the cost of borrowing for certain of their projects.

Will the LGC be authorized to issue bonds (i.e. debt) for the Ballpark?

Yes, the LGC will issue the bonds for the Ballpark, but can only do so with City Council approval. Subsequent action of City Council and the Corporation’s Board will be required to issue bonds.

Who will be on the Board of the Corporation?

The Articles of Incorporation specify that, at all times, the Chairperson will be the Mayor of the City of El Paso and the board members will be the City Council members (including the Mayor).

What revenues will be used to fund the Ballpark?

The City will provide HOT revenues, Team revenues and, subject-to-appropriation, any lawfully available revenues (excluding ad-valorem taxes), to the LGC. *In other words, no property taxes can be used to pay off the debt.*

Who will own and construct the Ballpark?

The City would continue to own the land on which the Ballpark will be constructed and will continue to construct the Ballpark. The LGC will only act as the financing mechanism for the Ballpark.

When will the LGC be dissolved?

As soon as the debt is paid off, the City Council can act to dissolve the Corporation.

Please www.elpasotexas.gov for additional details on all aspects of the Ballpark project.